

Executive Summary

Da Afghanistan Breshna Sherkat (DABS) is a government corporation established under Afghanistan's Law of Corporations and Limited Liabilities, equity shares of which are owned by the Government of the Islamic Republic of Afghanistan (GIROA). DABS was incorporated on May 4, 2008 and replaced Da Afghanistan Breshna Mossessa (DABM), which was a state-owned enterprise (SOE).

The Joint Independent Monitoring and Evaluation Committee (MEC), in detail, assessed the vulnerabilities to corruption across the DABS. In conducting this assessment, the MEC has interviewed DABS's officials, customers, officials from the Ministry of Energy and Water (MoEW) and National Procurement Authority (NPA). Besides, were made 6 field visits to Balkh, Nangarhar, Kandahar, Herat, Bamyan and Parwan provinces. Most importantly, MEC conducted face to face structured interviews with 292 customers.

According to the interviews, the 64% of them think that the power distribution process is not transparent, 76% mention that the billing process is not precise and not on time, 81% is of the opinion that the tariff is not fair and 82% say that the power cuts by DABS are not planned. This analyzes provides strong indication that the DABS shall be reformed and shall reform its processes.

MEC has analyzed vulnerabilities of the DABS across the following areas: Legal structure; corporate governance; Organizational structure; Human resources management system; Donor fund management system; Customer complaints mechanisms; Power distribution process; internal and external controls and; Anti-corruption policy.

Major findings

In regard to the legal structure there are 2 main problematic issues: firstly, it contradicts with the "Energy Services Management Law" which stipulates that all those natural or legal persons who generate, import or distribute power should obtain licenses for those services. In this regard, it must be noted that DABS doesn't have any of the mentioned licenses at all. Besides, the same law states that it is within the powers of the Government of the Republic of Afghanistan (GIROA) to approve tariff but according to the "Power selling" and other services policy of DABS, the Board of Directors (BOD) has power to approve the tariff.

In terms of corporate governance there is one major problem: the same individuals are represented in the Shareholder's Assembly of DABS and in the BOD of DABS which is a clear Conflict of Interest. Another important aspect is that the findings of MEC reveal that because of lack of having in place a proper system for asset registration and verification, Besides, the DABS doesn't have comprehensive fixed asset register which made possible for officials and warlords to usurp DABS's fixed assets. For example, the warlords have usurped 355126 sqm land and 94 shops and buildings of DABS.

In addition, DABS received AFN 12.5 billion from donors and it is shown in balance sheet in the form of assets, but the donors are claiming that they have contributed around \$ 4billion which equals AFN 220 billion to the energy sector in Afghanistan; it means billions of AFN is missing.

In connection with the customers it must be mentioned that some businessmen mentioned to MEC during the research period that they pay up to 40 thousand USD if they want to receive 3-phase meter. Besides, charging fuel energy price on those customers who are using the hydropower is another problem found in this process. And in some instances the cheaper residential pricing is utilized by commercial enterprises. Also, DABS lacks a record to show the number of received complaints through complaints boxes and it doesn't have statistics on the handled cases. Moreover, database which records the details of those complainers who contacted through telephone number-hotline 144 contains false

Information and DABS claims that they have handled some of these complaints while customers say opposite.

Key Recommendations

The recommendations of MEC can be divided into the 3 categories: a) Recommendations of legislative nature; b) Recommendations of Institutional nature and c) Recommendations which are aimed at fixing the problems connected with the real practice. The key recommendations are:

- DABS Article of Incorporation and all legal documents should be amended based on the Energy Services Management Law requirements;
- Adopt and approve of a law for governmental corporations and limited liability companies;
- Representative of shareholders in Shareholders Assembly and BOD should not be the same individuals;
- The Criteria for BOD and Audit Committee should be included in Corporations and Limited liability Companies law;
- DABS bylaw Article 16 paragraph 2 should be amended in a way to prevent the interference of CEO in internal audit department;
- Survey should be conducted to cut off if any household has extra meters and punish those employees who are involved and have connection with customers;
- DABS organizational structure should be restructured based on its functions and mandate;
- Establishment of a monitoring body equipped with the required knowledge and skills, to audit all government corporations and appraise their financial, operational and customer related issues;
- Development of a comprehensive qualification list for Internal Audit Department (IAD) positions and evaluate the current staff based on the new developed list.
- Conducting a comprehensive risk assessment and development of audit plan based on the updated risk matrix
- DABS should develop an anti-corruption policy and a long term anti-corruption strategy and translate that strategy in to yearly anti-corruption plan
- DABS shall change the analogue meters to prepaid digital meters in all over the country
- DABS prevent brokers to process the meter distribution documents
- DABS shall conduct an assessment and cut off more than one meter in a household and punish those who are using power without having meter
- DABS shall develop and implement a comprehensive plan for electricity loss reduction
- DABS shall conduct public awareness campaigns through media on mechanism for access to complaints via calling to No.144.

Next step

In regard to the recommendations it must be mentioned that for meeting some of the recommendations, it is not enough to have political will from the side of the DABS: there are recommendations which assume strong cooperation from state bodies too. Therefore, the recommendations shall be dealt by all relevant stakeholders. However, the main driving force shall be the DABS, as the primary entity which is provided with the recommendations.

The energy sector is of vital importance not only for the People of Afghanistan, but also both for the local businesses and investors. The latter two are driving forces for the development of any economy. Therefore, the proper management and reform of this sector is very important for the development of Afghanistan.